



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
McCREARY COUNTY
SHERIFF'S SETTLEMENT – 1998 TAXES AND
SHERIFF'S SETTLEMENT - 1997 AND 1998 UNMINED COAL TAXES**

September 14, 1999

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Jimmie W. Greene, McCreary County Judge/Executive

Honorable Regal Bruner, McCreary County Sheriff

Members of the McCreary County Fiscal Court

The enclosed report prepared by Donna Bouvier, Certified Public Accountant, presents the McCreary County Sheriff's Settlement – 1998 Taxes.

We engaged Donna Bouvier, CPA, to perform the financial audit of this statement. We worked closely with the firm during our report review process; the resulting audit comports with our reporting format. As part of the audit, Donna Bouvier, CPA, evaluated the Muhlenberg County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure

AUDIT REPORT OF
MCCREARY COUNTY
SHERIFF'S SETTLEMENT-1998 TAXES
AND
1997 AND 1998 UNMINED COAL TAXES

September 14, 1999

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To the People of Kentucky
Honorable Paul Patton, Governor
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Honorable Jimmie W. Greene, County Judge/Executive
Honorable Regal Bruner, Sheriff
Members of the McCreary County Fiscal Court

Independent Auditor's Report

I have audited the McCreary County Sheriff's Settlement-1998 Taxes and the 1997 and 1998 Unmined Coal Taxes as of September 14, 1999. These tax settlements are the responsibility of the McCreary County Sheriff. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with generally accepted government auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The Sheriff prepares his financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the McCreary County Sheriff's taxes charged, credited, and paid as of September 14, 1999, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky
Honorable Paul Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary Revenue Cabinet
Honorable Jimmie W. Greene, County Judge/Executive
Honorable Regal Bruner, Sheriff
Members of the McCreary County Fiscal Court
(Continued)

In accordance with Government Auditing Standards, I have also issued a report dated December 1, 1999, on my consideration of the McCreary County Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Donna Bouvier
Certified Public Accountant

December 1, 1999

MCCREARY COUNTY
REGAL BRUNER, SHERIFF
SHERIFF'S SETTLEMENT - 1998 TAXES

September 14, 1999

	County	Special Taxing Districts	School Taxes	State Taxes
<u>Charges</u>				
Real Estate	\$ 234,113	\$ 364,011	\$ 699,017	\$ 254,037
Tangible Personal Property	17,342	13,038	51,781	53,261
Intangible Personal Property	-	-	-	24,481
Fire Protection	1,182	-	-	-
Franchise Corporation	59,067	81,231	176,360	-
Oil/Gas/UD Oil and Gas	553	262	966	351
Increased Through Erroneous Assessments	324	526	969	588
Penalties	2,934	4,405	8,737	3,271
Adjusted to Sheriff's Receipt	(15)	1	(8)	-
Gross Chargeable to Sheriff	\$ 315,500	\$ 463,474	\$ 937,822	\$ 335,989
<u>Credits</u>				
Discounts	\$ 2,970	\$ 4,430	\$ 8,794	\$ 3,802
Exonerations	3,907	5,341	11,646	5,983
Delinquents:				
Real Estate	20,211	30,376	60,040	21,820
Tangible Personal Property	262	197	783	547
Total Credits	\$ 27,350	\$ 40,344	\$ 81,263	\$ 32,152
Net Tax Yield	\$ 288,150	\$ 423,130	\$ 856,559	\$ 303,837
Less: Commissions*	12,534	11,679	25,697	13,201
Net Taxes Due	\$ 275,616	\$ 411,451	\$ 830,862	\$ 290,636
Taxes Paid	274,829	411,229	828,594	291,126
Refunds (Current and Prior Year)	174	266	524	193
Due Districts or (Refunds Due Sheriff) as of Completion of Fieldwork	\$ 613	\$ (44)	\$ 1,744	\$ (683)
		**		

* and ** See Page 4

MCCREARY COUNTY
REGAL BRUNER, SHERIFF
SHERIFF'S SETTLEMENT - 1998 TAXES
September 14, 1999
(Continued)

* Commissions

10% on \$ 10,000

4.25% on \$810,950

3% on \$856,559

1% on \$193,969

** Special Taxing Districts:

Library District	\$ 32
Health District	22
Soil District	10
North McCreary Fire District	(56)
Central McCreary Fire District	(43)
South McCreary Fire District	(44)
Eagle Sawyer Fire District	40
West McCreary Fire District	<u>(5)</u>

Balance Due Districts or

Refunds Due Sheriff	\$ (44)
	===

The accompanying notes are an integral part of the financial statement.

MCCREARY COUNTY
 REGAL BRUNER, SHERIFF
SHERIFF'S SETTLEMENT - 1997 and 1998 UNMINED COAL TAXES

September 14, 1999

	County	Special Taxing Districts	School Taxes	State Taxes
<u>Charges</u>				
Sheriff's Official Receipts for 1997 Unmined Coal	\$ 122	\$ 101	\$ 378	\$ 141
Sheriff's Official Receipts for 1998 Unmined Coal	304	101	373	136
Gross Chargeable to Sheriff	\$ 426	\$ 202	\$ 751	\$ 277
<u>Credits</u>				
Discounts	\$ 9	\$ 4	\$ 15	\$ 5
Total Credits	\$ 9	\$ 4	\$ 15	\$ 5
Net Taxes Yield	\$ 417	\$ 198	\$ 736	\$ 272
Less: Commissions*	12	8	22	10
Net Taxes Due	\$ 405	\$ 190	\$ 714	\$ 262
Taxes Paid	405	190	714	262
Due Districts or (Refunds Due Sheriff) as of Completion of Fieldwork	\$ -	\$ -	\$ -	\$ -

Commissions:

4.25% on	\$712
3.00% on	\$736
1.00% on	\$175

The accompanying notes are an integral part of the financial statement.

NOTES TO FINANCIAL STATEMENTS

MCCREARY COUNTY
NOTES TO FINANCIAL STATEMENTS

September 14, 1999

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statements have been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are a source of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, Kentucky Revised Statute 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MCCREARY COUNTY
NOTES TO FINANCIAL STATEMENTS
September 14, 1999
(Continued)

NOTE 2: DEPOSITS

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff met the requirements stated above and as of March 10, 1999, deposits were fully insured or collateralized at 100% level with collateral held by the county official's agent in the county official's name.

NOTE 3: PROPERTY TAXES

The real and personal property tax assessments were levied as of January 1, 1998. Property taxes were billed to finance governmental services for the year ended June 30, 1999. Liens are effective when the tax bills become delinquent. The collection period for these assessments was February 1, 1999, through July 31, 1999.

1997 and 1998 Unmined Coal Taxes

The tangible property tax assessments are levied as of January 1, 1997, and January 1, 1998. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was February 1, 1999, through July 31, 1999.

NOTE 4: INTEREST INCOME

The McCreary County Sheriff earned \$3,579 as interest income on 1998 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Jimmie W. Greene, County Judge/Executive
Honorable Regal Bruner, McCreary County Sheriff
Members of the McCreary County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

I have audited the McCreary County Sheriff's Settlement-1998 Taxes and the 1997 and 1998 Unmined Coal Taxes as of September 14, 1999, and have issued my report thereon dated December 1, 1999. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the McCreary County Sheriff's Settlement -1998 Taxes and the 1997 and 1998 Unmined Coal Taxes as of September 14, 1999, were free of material misstatement, I performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the McCreary County Sheriff's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Honorable Jimmie W. Greene, County Judge/Executive
Honorable Regal Bruner, McCreary County Sheriff
Members of the McCreary County Fiscal Court
Report On Compliance And On Internal Control Over
Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

Donna Bouvier
Certified Public Accountant

December 1, 1999